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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR PERU

Note by the Administrator

I. THE PROGRAMMING PROCESS

1. The Peruvian country programming exercise was formally initiated with the presentation of the United Nations Development Programme (UNDP) advisory note. The note incorporates the major findings of the technical cooperation needs assessment exercise and is based on UNDP's perception of the Government's development priorities in the context of UNDP's mandate and its comparative advantages in supporting the Government strategies.

2. The conclusions and recommendations of both the mid-term review and other relevant activities such as the United Nations Industrial Development Organization (UNIDO)/UNDP study on industrial restructuring were likewise taken into account. Furthermore, extensive consultations have taken place with the multilateral financial institutions in view of their crucial importance for the economic stabilization and structural reform policies as well as the social development programme of the country. It is important to emphasize the early involvement of UNDP in supporting the Government in the formulation of these initiatives and the role of external cooperation for their successful implementation.

3. This process culminated in the elaboration of the country programme which was prepared on the basis of the advisory note and consultations involving primarily the Ministry of Foreign Affairs, the Ministry of Economy and Finance, the National Planning Institute and UNDP.

II. ANALYTICAL COMMENTARY ON THE COUNTRY PROGRAMME

4. The correction of the grave and persistent deterioration of socio-economic conditions in Peru described in the country programme presented what constitutes one of the most dramatic challenges faced by any Government in Latin America. In August 1990, the Government embarked on the process of stabilization and structural reforms targeted to redirect the country's development process.

5. At the same time, Peru could not avail itself of the assistance from the international financial community since it was in arrears with the multilateral financial institutions. During this period and until financial assistance resumed in late 1991, UNDP played a truly unique role in that it extended immediately its cooperation to the new Government by providing the requisite expertise to formulate and initiate the structural reform and social development programmes.

6. The role of strengthening the Government's capacity to manage these reforms under difficult conditions constitutes the framework for the strategy and the contents of the new country programme.

7. The strategy for UNDP cooperation is based on the high level of trust and dialogue with the Government. It has also been conditioned on the one hand by the very modest level of the indicative planning figure (IPF) resources in relation to the country's needs and on the other hand by the very significant resources the international community is prepared to channel to the country in support of the Government's proven commitment to a policy of economic and social reform.

8. UNDP funds are therefore intended (a) to support the Government in recovering its capacity to manage priority issues established in the country programme, and (b) to assist the Government, in coordination with both multilateral and bilateral donors, in accessing and managing development cooperation programmes targeted to help achieve its objectives in the areas of public sector reforms, employment and social development, productive sector recovery and environment and natural resources management.

9. Public sector reform is crucial for the consolidation of the Government's stabilization programme, the implementation of structural reforms and the establishment of a more responsive, efficient and participatory Government.

10. The deteriorating social conditions and levels of poverty, combined with the inability of public institutions to address these problems, has led to the introduction of social compensatory measures to prevent a threat to the stability of the economic reform programme as well as the strengthening of mechanisms to administer adequately areas of the territory where coca leaf cultivation and primary processing have become important economic activities. Social sector development, besides the establishment of a development fund, also foresees attending to specific sectoral needs through donor financing and technical cooperation to cover health, education and sanitation.

11. The declining economic performance during recent years, in combination with the opening of a protected economy, poses a serious challenge to the competitiveness of the industrial sector. Technical cooperation is required to upgrade the country's technological and managerial levels. Support for its export initiatives is indispensable to develop the potential of the Peruvian productive sector. Peru also has the largest informal sector of the continent which contributes extensively to employment generation and as such has helped to avoid an explosive social situation. Its institutional and organizational capacity should be mobilized and supported to multiply the entrepreneurial capabilities of people to remedy serious under- and unemployment levels and to incorporate this sector as a legitimate participant in the productive recovery of the country.

12. The considerable mineral and hydrocarbon resources of Peru, its large share of the Amazon basin, the time-lag in paying adequate attention to environmental issues, as well as its commitment to the objectives of the United Nations Conference for Environment and Development (UNCED) have led the Government to approve an environmental code and to assign priority to this sector.

13. Three of the four areas of the country programme coincide explicitly with the first three themes established in Governing Council decision 90/34: poverty eradication, environment and sustainable development, and management of development.

III. MANAGEMENT OF COUNTRY PROGRAMME IMPLEMENTATION

14. The programme approach is particularly apt for UNDP implementation strategy and is foreseen for the following three areas: public sector reform; social development, and environment. Central coordinating units will be established for managing such programmes where the technical cooperation components of multilateral financial loans are expected to make important contributions. As to the area of the productive sector the interlinking of clusters of projects is considered the most appropriate approach.

15. Monitoring annual reviews of benchmarks and evaluation of impact will be conducted through the programme modality. Projects will be subject to the standard UNDP monitoring procedures. The country programme will undergo a mid-term review in 1994.

16. The reimbursable loan scheme will be applied for the preparation of Inter-American Development Bank (IDB) or World Bank loans where UNDP prefinancing is required, utilizing IPF resources as a revolving fund and as seed and rapid disbursement money.

17. The coordinating units will also serve as instruments to mobilize and integrate inputs from other donors. National execution will be the principal form of implementing the programme to strengthen the Government's managerial capacity. It will be supported by inputs from the specialized agencies and the Office for Project Services as required.

IV. RECOMMENDATION OF THE ADMINISTRATOR

18. The exceptional circumstances which the country faces and the determination with which numerous critical issues have been addressed by the Government warrant an exceptional response from the international community, which has this far resulted in the following: (a) IDB has approved the largest loan in its history for Peru totalling $425 million in record time, paving the way for its full reinstatement in the international financial community; (b) the World Bank has accepted for the first time the accumulation of special drawing rights (SDRs) to enable the country to settle its arrears with this institution; (c) the Paris Club has granted the Government exceptional conditions for rescheduling its bilateral debt which exceed those approved for Poland and Egypt; (d) the bilateral community under the aegis of the International Monetary Fund (IMF) has formed for the first time a support group led by the United States and Japan for an amount of $1.089 million to enable the country to meet both its internal and external commitments in 1991/92.

19. UNDP has played an important role in assisting both the Government and the institutions involved in two of these initiatives. It has become a key link between specific government needs and the resources and substantive inputs of the multilateral financial organizations. This tripartite relationship constitutes the basic operational strategy for implementing on a medium-term time-frame the priority areas defined in the country programme and where UNDP is to fulfil a specific managerial and resource mobilizing function.

20. The Administrator therefore recommends that the Governing Council approve the fifth country programme for Peru.